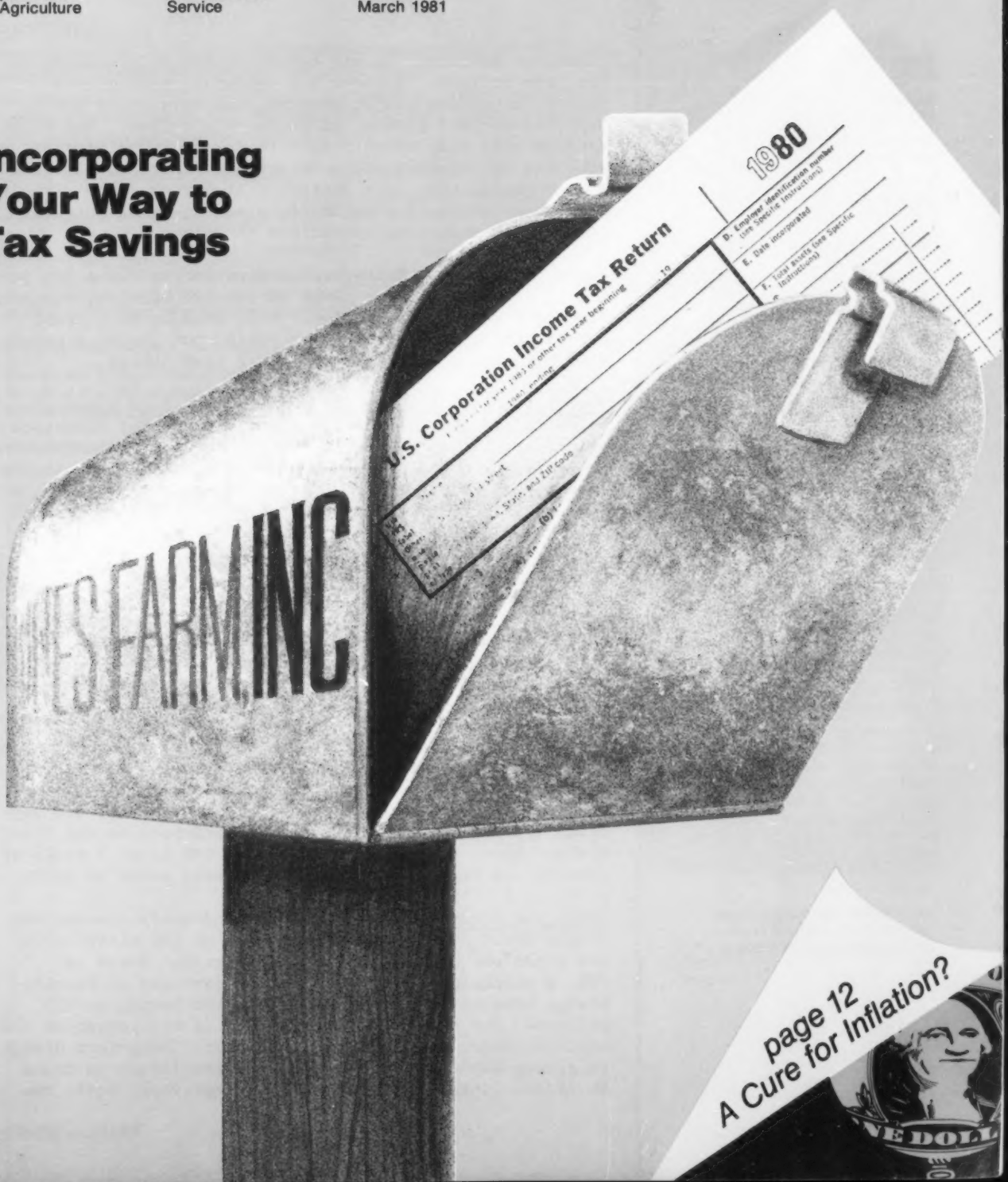
FARMLINE

United States Department of Agriculture

Economics and Statistics Service

Volume II
Number 2
March 1981

Incorporating Your Way to Tax Savings



page 12
A Cure for Inflation?

Editor:
Eric Van Chantfort

Assistant Editor:
William Gordon

Editorial Assistant:
Martha R. Evans

(202) 447-8302

Design and Layout:
Joan Bazemore
Carolyn Fletcher

Contents of this magazine may be reprinted without permission.

FARMLINE is published 11 times a year by USDA's Economics and Statistics Service and is provided free to *crop reporters* by the ESS crop and livestock reporting service office in each state.

Subscription price $10 a year ($12.50 foreign). Order from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Ask for *FARMLINE* and make your check payable to Superintendent of Documents. Address single copy requests and editorial correspondence to *FARMLINE*, Room 505 GHI Bldg., ESS, USDA, Washington, D.C. 20250.

The Secretary of Agriculture has determined that the publication of this periodical is necessary in the transaction of the public business required by law of this Department. Use of funds for printing this publication has been approved by the Director of the Office of Management and Budget through January 1, 1982.

Use of commercial or trade names does not imply approval or constitute endorsement by USDA or ESS.

Perspectives

"Cautious optimism" is the byword of analysts summing up the farm outlook. Reasons for optimism: strong crop prices, expanding export markets, and very tight world supplies of feed grains, oilseeds, and cotton. But tight markets also give added weight to normal uncertainties: weather, the economy, crop developments abroad. There's much concern, too, over depressed livestock prices, rising production costs, the painfully slow easing of interest rates, even unsettled conditions in Poland.

Despite the uncertainties . . . Forecasters see a big jump in net farm income--the range is $28-$32 billion, compared with last year's $23 billion. That assumes an overall 12%-15% increase in production costs, but rising expenses will hit some producers much harder than others.

Livestock producers aren't covering high feed costs . . . No relief is expected on the expense side, but livestock prices are likely to pick up well above 1980's levels by midyear. Even so, net income prospects for hog producers aren't much brighter than last year. Prices may average $10 higher for 1981, only enough to match rising costs.

Wanting for water . . . Widespread precipitation finally relieved some concerns about low soil moisture and sparse mountain snowcover. But lingering drought and prospects for larger seedings, with more double-cropping, still beg for better-than-normal spring rainfall. Besides much larger wheat plantings, look for more corn and sunflowers, but slightly less soybeans and cotton than last year.

Back on stream . . . Barge tieups due partly to low water levels on the Mississippi had raised worries about meeting export commitments and getting fertilizer to farmers. But by mid-February, the Coast Guard reported business as usual. And even with January's problems, grains and soybeans apparently moved at a near-record pace on the river system--about 115 million bushels in the first 3 weeks of January, up from 78 million for the same weeks in 1979.

After the freeze . . . Florida's mid-January freeze, one of the worst ever, took a heavy toll of the citrus crop and wiped out much of the vegetable crop. Based on Feb. 1 conditions, USDA lowered its forecast of Florida orange production by 15%, or 30 million boxes, to 173 million. The total U.S. orange crop is now pegged at 245 million boxes, down 11% from last year. Long-term damage to groves isn't fully assessed, but the freeze is bound to affect citrus production for another year, maybe two.

FARMLINE

Volume II
Number 2

March 1981

FEATURES

Incorporating Your Way to Tax Savings by *Patricia F. Singer* 4

Incorporation is no longer just for the biggest farms. Tax bracket creep and reduced corporate tax rates now mean that many midsize family farms can also save money by incorporating.

Oil Dollars Grease the Way for Rising Mexican Imports by *Barry Murray* 8

The discovery of vast petroleum and natural gas supplies has helped transform Mexico into one of the top markets for U.S. agricultural exports.

The Pesticide Industry: What Price Concentration? by *Patricia F. Singer* 10

The long, costly, and uncertain process of getting a pesticide from laboratory to marketplace is leaving fewer chemical companies with a bigger share of the business—a pattern of increasing concentration that isn't without its risks.

Inflation: Is There a Cure? by *Daniel R. Williamson* 12

The answer is "yes"—if policymakers decide that the cure's side-effects won't be worse than the original problem. Here's a look at the tangle of complex interrelationships that contribute to a "continuously upward inflationary spiral."

New Farm Price Estimates Pegged on Actual Sales by *William Gordon* 16

When a difference of 1 cent in the estimate of average prices received by farmers can mean millions in program benefits, it's easy to see why accuracy is the selling point of USDA's new system for gathering price information.

DEPARTMENTS

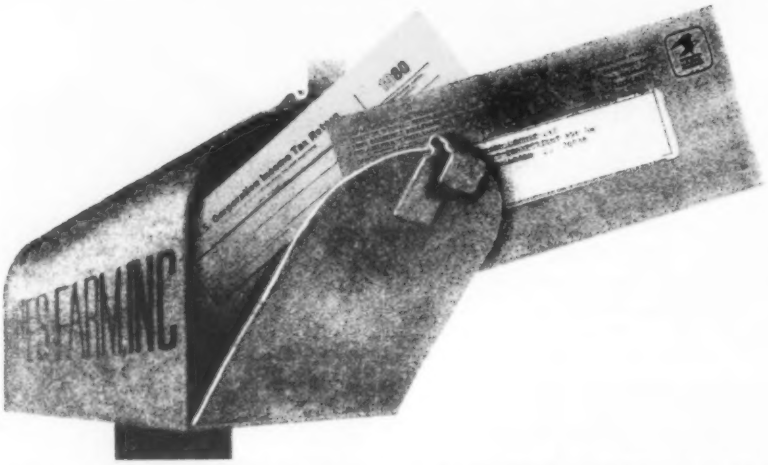
Perspectives: Late-Breaking Agricultural News and Analysis 2

Agricultural Roundup: New USDA Chief; Planting Intentions 7

Reports in the News: Fertilizer Outlook; Weighing in Catfish 15

Farmline Trends: Monthly Price Monitor; Few Own the Land 18

Incorporating Your Way to Tax Savings



If your net farm income will total $25,000 or more this year, you can probably save money by incorporating.

Incorporation has long been popular among large farm businesses. But tax changes during the last decade now make it a smart move for many smaller farms as well, according to Iowa State University economist Michael Boehlje.

Owners of midsize family farms may save taxes by incorporating for two reasons, he says. One is that Congress has lowered corporate tax rates twice during the 1970's. The more important reason is "bracket creep."

Bracket creep occurs as individuals' incomes rise along with inflation. The result: They move into higher tax brackets where taxes take a larger percentage of personal income.

Because of these factors, a farmer who files as a sole proprietor or partner may pay thousands of dollars more over the years than a farm owner who incorporates. The same may have been true in 1969, but not at the same real income levels.

Cutting the Tax Bill

For example, if your net farm income in 1969 was $14,000, you would have had to pay $1,874, or 13.4 percent of it, in personal income taxes (assuming you had declared personal exemptions for a family of four and used the standard deduction for married taxpayers filing jointly). Incorporation would have saved you nothing.

Will incorporation benefit your farm? If you think it might, you should seek professional legal and tax planning assistance.

Incorporation will affect different farm operations differently. Also, state laws and tax regulations vary significantly, and they may influence the desirability of incorporating your farm.

Finally, you'll have to weigh any potential advantages against such drawbacks as less financial privacy, increased legal and accounting fees, additional recordkeeping, and perhaps some loss of management control.

By 1979, however, if your tax status had stayed the same and your income had kept up with inflation, the $14,000 would have become $27,720. You would have fallen into a much higher personal tax bracket, owing the Internal Revenue Service $4,543, or 16.4 percent of your income, using the standard deduction.

But suppose you had incorporated by 1979 and split the farm income between yourself (as the salaried owner-manager) and the farm corporation. Using the most favorable split, you could have lowered your total tax bill to $3,340, or 12 percent of your income. Your savings: $1,203.

The accompanying table, which includes Social Security tax obligations, illustrates the total tax savings that incorporation can offer at various income levels.

Equity Growth and Inheritance

Incorporation not only saves taxes, but may also allow a farmer to reinvest more to build up farm equity faster. Over a 10-year period, this faster equity growth can be sizable.

For instance, in what Boehlje identifies as a typical Missouri livestock operation, equity accumulation over 10 years may be $101,000 more if the owner incorporates rather than remaining a sole proprietor.

Incorporating has additional nontax advantages. It may help keep a farm together when it passes from one generation to another.

"A farm corporation can pay nonfarm heirs a competitive return on their inheritance," Boehlje stresses, so that those heirs are more willing to maintain their financial interest in the business. Their return can take the form of interest if they inherit debentures (loan notes of a given term), or dividends if they inherit stock in the farm corporation.

To keep stock from falling into the hands of outside investors, a buy-sell agreement can forbid selling to anyone except

those who are already shareholders. The method of determining the stock's selling price can also be set in such an agreement to guarantee that heirs not interested in the farm business can get a fair price for their shares if they want to sell to heirs still working the farm.

A List of Advantages

Besides aiding in estate planning, incorporation can help a farm owner who wants to transfer assets while alive. "Giving your son or daughter a few acres annually, or a fraction of a tractor every year, is possible under sole proprietorship," Boehlje says. But the process is very cumbersome.

On the other hand, "periodically giving shares of stock in a farm corporation is a relatively simple, convenient way to transfer wealth." Gift tax limits are the same in both cases.

Tax experts say incorporation can offer even further advantages, although you may not qualify for all of them. By incorporating, you may be able to:

- deduct premiums on life, health, and accident insurance for yourself.
- deduct depreciation, maintenance, and repairs on your farmhouse.
- provide yourself retirement income in the form of interest on corporate debentures.
- protect your nonfarm assets from seizure to pay off farm debts, unless the assets have been pledged as collateral for farm loans.

With all these advantages, it's not surprising that the number of incorporated farms nearly doubled from 1974 to 1978, according to the latest Census of Agriculture. And as the distinction between the family farmer and the incorporated farmer has blurred, corporate farming is losing its connotation of big business intrusion into agriculture.

Consider Drawbacks, Too

Does incorporating have any drawbacks? Of course, say tax specialists. For one, it may increase your chances of being audited by the IRS. In addition, the public disclosure that some states require of corporations may be distasteful, especially if you put a high value on financial privacy.

Incorporation Offers Tax Savings That Mount with Income

Total income[1]	Sole Proprietorship		Corporation and Owner-Manager		Total tax savings of incorporating
	Total tax[2]	Tax as % of income	Total tax[2]	Tax as % of income	
$12,000	$1,674	14.0	$2,052	17.1	-$378
$16,000	$2,721	17.0	$2,679	16.7	$42
$20,000	$3,885	19.4	$3,359	16.8	$526
$25,000	$5,352	21.4	$4,209	16.8	$1,143
$30,000	$6,808	22.7	$5,059	16.7	$1,749
$35,000	$8,463	24.2	$5,909	16.9	$2,554
$40,000	$10,361	25.9	$7,176	17.9	$3,185
$50,000	$14,673	29.3	$9,226	18.5	$5,444
$70,000	$24,701	35.2	$13,722	19.6	$10,979
$90,000	$35,275	39.2	$19,562	21.7	$15,713
$110,000	$46,535	42.3	$25,865	23.5	$20,670
$130,000	$58,376	44.9	$33,478	25.8	$24,898
$150,000	$70,336	46.9	$41,796	27.9	$28,540

[1] The amount of income reported for tax purposes prior to Social Security deductions and exemptions.
[2] Includes Social Security tax, personal income tax, and, for corporate structure, corporate income tax.

Personal income tax was calculated with standard deductions for a family of four. All figures are based on 1979 tax rates.

Corporate Legalisms

A corporation is a legal business entity separate from its shareholders. It can earn income, and it pays taxes at corporate rates.

The corporation is run by its shareholders, who elect directors (often themselves). The directors appoint the corporation's managers.

In many states, however, a farm owner who incorporates can hold onto all these roles. You can make yourself the major (or sole) shareholder, elect yourself and your family members the directors, and hire yourself as the farm manager. You can then pay yourself a salary lower than your former income as sole proprietor, and so lower your personal income tax bracket.

Other family members can receive shares of stocks or debentures (loan notes), and if they work on the farm they can also receive salaries. Profits of the corporation can be reinvested in the business or distributed to stockholders as dividends.

To form a corporation, you must obtain a charter in your state. Legal, accounting, and charter fees to start a corporation may be as low as $1,000 in some states. But costs can be much higher in states with more complex charter requirements. Annual report requirements also vary.

Also, your Social Security payments will increase with incorporation, even if you have no employees except yourself. As a sole proprietor, you have to pay 9.3 percent of the first $29,700 you earn in 1981. Under a corporate structure, you are both employee and employer. In each role, you must contribute Social Security payments of 6.65 percent of your salary (up to the same $29,700 maximum), for a total of 13.3 percent.

Another drawback is that you'll probably need to hire a lawyer to file your application for incorporation. Besides legal fees, you'll have to pay corporation charter fees that vary from state to state.

Once your farm is incorporated, you may still need the advice of a lawyer, accountant, or other tax specialist to calculate the most favorable distribution of farm income, and to stay informed on changes in tax laws.

You may also want help with keeping farm records and filing tax returns, although you can do these jobs yourself. Corporate recordkeeping and taxes are more complex than those for sole proprietorships.

But even if incorporating necessitates legal or accounting services, Boehlje concludes, your potential tax savings will probably offset additional costs if your net income is $25,000 to $30,000 or more. And, the more detailed records required for a corporation may help you plan and monitor farm expansion more closely.

One additional consideration is that in any multi-owner business, even the majority shareholder does not have absolute control (although, in practice, there may be substantial agreement among family members). Other shareholders are usually consulted on management decisions.

Nevertheless, these drawbacks are the same as for any incorporated business. And increasingly, as many farm owners know, to succeed in farming you must also succeed in business.

Adding "INC." To Speed Growth

For an example of the tax savings and faster equity growth possible through incorporation, take a hypothetical Missouri livestock producer who holds 100 percent equity in an operation worth $642,528, including land, livestock, and all other farm assets.

For purposes of comparison, assume that he receives annual returns of 4 percent on his land and 9 percent on his operating capital (what he has invested in machinery, breeding stock, etc.). Also assume that his land is appreciating 8 percent a year.

As a sole proprietor with standard deductions for a family of four, the Missouri farmer might pay about $159,000 (or 27 percent of net income a year) in personal income taxes over a decade. After paying taxes and family living costs, he could reinvest enough over 10 years to build his equity to $1,645,000, apart from any inflation-related "growth."

But assume that the same farmer, receiving the same returns, incorporated his business. He would pay only about $88,000 in income taxes in a 10-year period (a 16-percent annual average rate), and so he could build his equity to $1,746,000—$101,000 more in growth than as a sole proprietor.

Even if the livestock producer held only 50 percent equity in his operation, instead of 100 percent, he could still realize some tax savings by incorporating. He could also speed the growth of his farm by reinvesting his tax savings. However, both his savings and his equity increase would be smaller than those of the 100-percent owner, as the accompanying table indicates.

In general, the greater your equity in a farm and the higher your income, the greater the tax advantage of incorporating.

Equity Grows Faster Under Corporate Ownership[1]

	Farmer owns 100% equity		Farmer owns 50% equity	
	Sole Proprietorship	Corporation	Sole Proprietorship	Corporation
Beginning equity	$642,528	$642,528	$321,264	$321,264
Accumulated total taxes, 10 years	$158,705	$88,191	$83,000	$52,106
Tax as a percent of income	26.86%	16.04%	19.43%	13.87%
Annual rate of equity growth	10.21%	10.87%	14.81%	15.16%
Ending equity	$1,645,468	$1,746,501	$1,238,722	$1,277,127
Increase in equity over 10 years	$1,023,016	$1,124,050	$927,495	$965,900

[1] Comparative tax savings and equity growth for a hypothetical Missouri livestock operation under sole proprietorship and under corporate structure, over 10 years.

Agricultural Roundup

Meet the New Secretary

John R. Block, the new Secretary of Agriculture, is a corn and hog farmer with a record of public service.

Block's 3,000-acre family farm near Galesburg in northwestern Illinois produces about 6,000 hogs a year. Block took over the corn, soybean, and farrow-to-finish hog operation in 1960 and managed its expansion from a modest 300 acres. He was honored as an outstanding young farmer by the U.S. Jaycees in 1969.

Block's first-hand knowledge of many of the problems facing today's farmers may be one of the most important assets he brings to his new job, according to aides.

However, Block's farming interests have gone beyond the soil. Since 1977, he has been director of agriculture in Illinois.

Illinois Farm Bureau spokesman, Jack Oakley, recently praised Block's record of pursuing farmer-oriented programs in soil and water conservation, pesticide use, grain handling, meat inspection, animal health, and gasohol production.

Export market promotion was high on Block's list of priorities. He was a member of an agricultural export team which traveled to China and Japan in 1978 and 1979, and he helped conduct a market survey in Taiwan in 1979. Late last summer, he led a 3-week, fact-finding mission to the Soviet Union, Poland, Hungary, Austria, and Switzerland.

He also supervised the Illinois Department of Agriculture's export offices in Brussels and Hong Kong.

Block received the Illinois governor's outstanding achievement award last year, as well as the Illinois Cooperative Extension Service's meritorious service award for outstanding contributions to Illinois agriculture.

Born in 1935, Block graduated from the U.S. Military Academy at West Point in 1957 and served in the U.S.Army as an infantry officer until 1960 when he took over the family farm.

In taking office as the new U.S. Secretary of Agriculture, he said his number one priority will be to "improve profitability in the agricultural industry, provide a favorable climate for the industry, support the industry, and serve as its advocate."

Japan Opens Up Tobacco Trade

Japan—already the biggest customer for U.S. farm products with purchases totaling $5.8 billion last year—has agreed to ease restrictions on imports of tobacco products.

This concession, along with others, could substantially increase U.S. tobacco sales to Japan by the mid-1980's. Last year's sales were valued at $35 million.

Major terms of the agreement, signed in November 1980, call for:

- A reduction in tariffs on U.S. cigarettes from 90 percent to 35 percent, cigars from 60 percent to 35 percent, and pipe tobacco from 110 percent to 60 percent.
- An increase in profit margins for Japanese retailers selling U.S. tobacco from 7 percent to 8.5 percent in 1981 and to 10 percent by 1982.
- An increase in the number of retailers selling U.S. tobacco products from 14,000 to 20,000 in 1981.
- A lifting of the ban on advertising by U.S. tobacco companies in Japan.

The U.S. currently holds about 1 percent of the Japanese tobacco product market. Some observers say the new agreement may allow the U.S. share to rise to at least 10 percent.

Growers Report Planting Intentions

Growers in 16 southern and western states intend to plant more acres to soybeans and rice and fewer to cotton and feed grains than they did last year.

These results came from a USDA prospective plantings survey of some 10,000 producers conducted in early January.

Soybean plantings may rise 300,000 acres—slightly over 1 percent—in the survey states, which accounted for 39 percent of total U.S. soybean acreage in 1980. Acreage intentions were down only in Texas and Mississippi.

Last fall's big jump in winter wheat plantings may partly account for the reduced acreage plans for some other crops. Farmers indicated they expected to seed 1 percent fewer acres to cotton than in 1980. Acreage intentions were up in the southeastern and Delta states, but down in the western states. Almost all U.S. cotton is produced by the reporting states.

Among the feed grains, intentions were down 2 percent for corn, 6 percent for sorghum, and 6 percent for barley. Only prospective oat seedings were up.

Rice farmers planned to boost plantings by 3 percent, with an even sharper increase in Texas. Hay acreage may rise 4 percent as producers try to recover from last summer's drought losses.

A second *Prospective Plantings* report will be published on March 19 based on a survey of growers in 32 northern states.

Larger Soybean Plantings, Fewer Cotton Acres Planned

	Share of total U.S. plantings, 1980[1]	1980 planted acreage	1981 acreage intentions	Change 1980-81
Soybeans	39%	27,125,000	27,425,000	+1.1%
All corn	13%	10,830,000	10,657,000	-1.6%
All sorghum	43%	6,886,000	6,454,000	-6.3%
Oats	20%	2,713,000	2,785,000	+2.7%
Barley	16%	1,288,000	1,211,000	-6.0%
Peanuts	100%	1,542,300	1,608,800	+4.3%
All cotton	98%	14,312,300	14,127,800	-1.3%
All rice	98%	3,307,000	3,395,000	+2.7%
Sweet potatoes	97%	104,700	106,400	+1.6%
All hay	23%	13,848,000	14,386,000	+3.9%

[1]Percent of total 1980 U.S. plantings of each crop accounted for by 16 southern and western states surveyed around Jan. 1, 1981: Ala., Ariz., Ark., Calif., Fla., Ga., Ky., La., Miss., N. Mex., N.C., Okla., S.C., Tenn., Tex., and Va.

Oil Dollars Grease the Way for Rising Mexican Imports

Discovery of vast petroleum and natural gas supplies has helped transform Mexico into one of the top markets for U.S. agricultural exports.

Mexico had traditionally exported more farm products to the U.S. than it bought, usually ranking as our number two supplier after Brazil. In 1972, U.S. agricultural sales to Mexico totaled only $180 million, while Mexican farmers sold us $590 million worth of their products.

After a sharp jump in U.S. exports in 1975 reversed the usual balance, Mexico recovered the edge and held it until last year when trade finally tipped heavily in favor of the U.S.

Sales to Mexico reached a record $2 billion, making our southern neighbor the third largest customer for our farm products, according to USDA agricultural economist Donna Roberts. Meanwhile, U.S. imports of Mexican farm goods totaled $1.2 billion, so the U.S. netted about $800 million after agricultural trade books were balanced.

What about this year? Roberts says U.S. farmers can look forward to sales about equal to last year's record—and perhaps a bit higher.

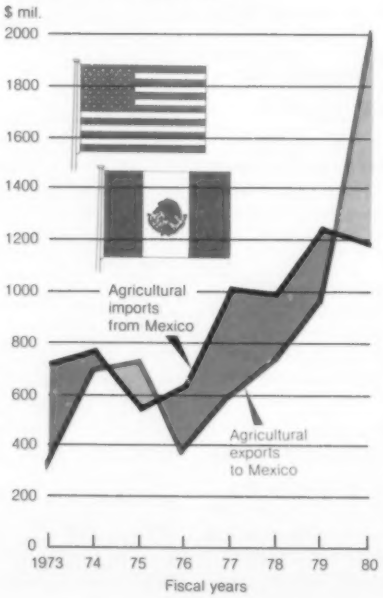
In early December, the U.S. and Mexico signed a 1-year agreement providing for Mexican purchases of 6-8 million tons of U.S. grains, oilseeds, and vegetable oils, worth about $2 billion.

Dramatic Turnaround

Three factors are primarily responsible for the dramatic turnaround in the trade balance in recent years:

- Unfavorable weather has hampered Mexican farm production. In 1979, drought and early frost damaged crops and increased import needs.
- Mexico's population growth rate is currently one of the highest in the world—averaging more than 3.2 percent annually over the last decade. That country's population currently totals nearly 70 million people. The agricultural sector has been unable to keep pace with the rising demand for food.
- Mexico's oil discoveries have translated into more money to upgrade diets. Oil revenues surged from $3.8 billion in 1979 to an estimated $11.2 billion last year.

Rising U.S. Exports to Mexico Turn Trade Deficit into Surplus



Consequently, the groundwork was laid for the 1980 sales explosion when the value of U.S. agricultural exports to Mexico more than doubled from 1979's $972 million.

Leading the increase were sales of feed grains and soybeans needed to feed livestock. Demand for meat is growing fast among Mexico's rising middle class.

In the 1979/80 marketing year, shipments of U.S. corn increased nearly sixfold to almost 4 million metric tons from 628,400 tons in 1978/79. Roberts looks for U.S. corn sales to approach 4 million tons again this year.

Another important feed grain—sorghum—also registered big sales gains. Shipments of U.S. sorghum increased from 1.4 million tons in 1978/79 to 2.2 million tons in 1979/80. In 1980/81, sorghum sales are expected to total about 2.0 million tons.

Although wheat sales dropped slightly from 1.1 million tons in 1978/79 to 1.0 million tons in 1979/80, they are expected to return to 1.1 million tons in 1980/81.

Soybean volume rose from 575,000 tons in 1978/79 to 783,000 in 1979/80—a hefty 36 percent increase. Sales in 1980/81 are expected to top 1.2 million tons, as livestock expansion continues.

Self-Sufficiency Through SAM

Although these prospects suggest that it will remain a top market, Mexico is unwilling to follow the path of some other oil producing countries which have become highly dependent on imported food. The Mexican government unveiled a plan early last year to grow more of its own food.

The new program, known as SAM (Sistema Alimentario Mexicano, or the Mexican Food System) is designed to upgrade the diets of undernourished Mexicans through improved domestic production. SAM, which is funded through oil revenues, aims for self-sufficiency in

corn and bean production by 1982 and other basic foods by 1985.

To reach these goals, the program will push to expand the acreage devoted to staple crops and, at the same time, increase yields. Plans call for an emphasis on scientific research, monetary incentives to growers, technical assistance, and use of more fertilizers and insecticides.

But Roberts points out that the Mexican government will be faced with some difficult tradeoffs in fully implementing the SAM program. For example, if acreage devoted to corn—Mexico's principal food grain—is increased, it will probably come at the expense of sorghum—Mexico's principal feed grain—due to limited land suitable for expansion. As a result, sorghum imports would have to rise.

Also, the overall price tag for subsidizing inputs, production, and consumption will be enormous. Estimates for 1980 alone are about $2.0 billion (U.S.) for production and $1.5 billion (U.S.) for consumption.

Roberts contends that while progress will undoubtedly be made, a number of factors will probably keep import levels high, including weather, growing consumer demand, and the difficulties involved in bringing large acreages of new land into production.

On the overall goals of SAM, she estimates that, granted perfect growing conditions, Mexico may achieve self-sufficiency in food grain production by 1982, but feed grains will still need to be imported. In fact, Roberts expects the current volume of Mexican agricultural imports from the U.S. to remain about the same, at least for the next several years. Import value will probably rise due to inflation.

Tomato War

On the other side of the coin, coffee and fresh vegetables are the principal agricultural products purchased by the U.S. from Mexico.

Mexico provides nearly half of the fresh vegetables available to U.S. consumers during winter months.

Coffee is by far the major sales item, accounting for nearly one-third of Mexican farm sales to the U.S. last year. However, vegetable imports get more attention from farmers here because they often compete with U.S. products.

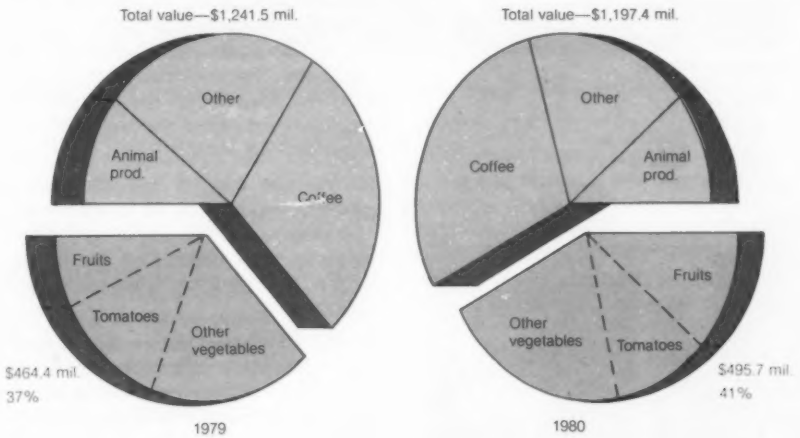
Roberts explains that the volume of U.S. imports of Mexican vegetables has more than doubled since 1970. During the winter months, Mexico provides nearly half of the fresh vegetables available to the U.S. consumer.

This competition with U.S.-grown vegetables has resulted in the current "tomato war." The dispute centers around charges by Florida farmers that Mexican growers are attempting to corner the vegetable market by flooding the U.S. with produce (tomatoes, cucumbers, eggplants, squash, and green peppers) at less-than-market value.

Last spring, the U.S. Commerce Department ruled that Mexican produce had not been sold at unfair prices. The decision was based primarily on a comparison between Mexican prices charged to Canada and to the United States.

This decision has been appealed by the Florida growers and is currently under judicial review.

Competitive Fruits and Vegetables Make Up an Increasing Portion of U.S. Agricultural Purchases from Mexico



The Pesticide Industry: What Price Concentration?

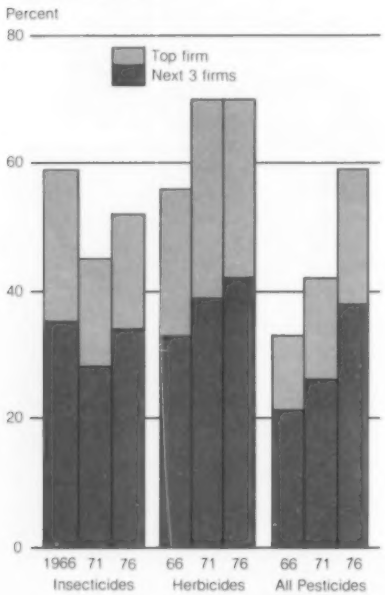
The farm pesticide industry seems to be following a trend common throughout agriculture: increasing concentration.

Fewer chemical companies are accounting for a bigger share of the business, and fewer new pesticide products are entering the market, says USDA economist Ted Eichers.

In 1966, the top four firms in the industry accounted for 33 percent of farmers' total pesticide purchases. Ten years later, the top four had 59 percent of the market.

Greater market concentration, Eichers says, is tied to rising research and development costs and increased government regulation of pesticides to protect health and the environment. These same factors also contribute to a smaller selection of new pesticide products.

Top Four Firms Increase Share of Pesticide Market



Greater concentration is tied to rising research and development costs and increased regulation.

In the last decade, the number of chemical compounds that companies tested to find marketable pesticides rose dramatically—from an average of 6,500 yearly in 1967-70 to 84,000 yearly in 1977-78.

However, in the same period, the average number of new pesticides registered fell from 10 to 2 per year. Registrations are now making a modest recovery, but new product introductions will probably remain below past levels.

Problems With Simpler Pesticides

Companies need much more time and money to discover safe, selective, chemically complex pesticides than to find simpler, broad-spectrum compounds such as DDT. What's wrong with the less costly, broad-spectrum pesticides? They're more likely to meet with pest resistance—and they may be more likely to cause chronic health and environmental problems.

In the late 1960's, the 30 leading pesticide manufacturers together were spending about $60 million a year on research and development. By the late 1970's, the figure had shot up to $290 million.

At the same time, the average lag between discovery of a pesticide and its registration lengthened from almost 6 years to more than 9, according to an industry survey.

The net effect: Only a company with a foothold in the market and a very strong capital base can afford to see a pesticide through the long, expensive, and uncertain process from laboratory to marketplace.

Patent expiration gives small companies their main crack at the market. They can begin manufacturing a leading pesticide under a new brand name, avoiding the research and development costs they can't afford, and passing some of the savings on to farmers.

Otherwise, the barriers that prevent an aspiring company from undertaking production of new pesticides are formidable. According to Eichers, these include "the high cost of research and development, the specialized personnel and equipment required, and the risk that a firm may screen thousands of chemicals without finding a single new pesticide."

More Chemicals Are Tested But New Registrations Fall

[1]Elapsed time from discovery to full registration.
[2]Total R&D costs.

Further Market Concentration

Risks are not likely to diminish, and research and raw material costs will continue to increase. The result, Eichers says, will probably be further market concentration and fewer firms devoting large expenditures to new pesticide development.

Up till now, the trend doesn't seem to have disproportionately raised pesticide prices to farmers, Eichers says. Indeed, during the 1970's, pesticide prices climbed at a slower rate than other farm inputs.

However, this favorable price situation may soon end. Pesticide prices have been kept relatively low largely at the expense of formulators and distributors—the middlemen who mix and package basic pesticide ingredients into ready-to-sell preparations and get them into farmers' hands.

But this price cushion has largely disappeared. As a result, manufacturers' cost increases will likely be passed directly through to farmers in the future.

The degree of market concentration in the industry could work either to bolster prices or keep them down in years ahead.

On the one hand, companies with a big share of the market often have lower costs per unit of output. Also, when producers are assured of a certain level of sales, they can plan for optimum use of their production capacity, cutting costly waste. Eichers found that "the pesticide industry has been more efficient in plant use than the chemical industry as a whole."

Nevertheless, as the farm pesticide industry grows even more concentrated, there's always the danger that manufacturers could adopt a marketing strategy detrimental to farmers—reducing output and driving up prices.

Producers Still Competitive

But, so far, Eichers sees no evidence that pesticide manufacturers take their farm customers for granted. Today's market conditions, he says, promote a king-of-the-mountain pattern of competition.

A pesticide that's a leader one year may tumble to relative insignificance a few years later because of pest resistance, the introduction of a superior product, government regulation, or a combination of these. Since manufacturers' sales tend to be centered on one or a few compounds, a firm that loses its best-selling pesticide may lose its market dominance.

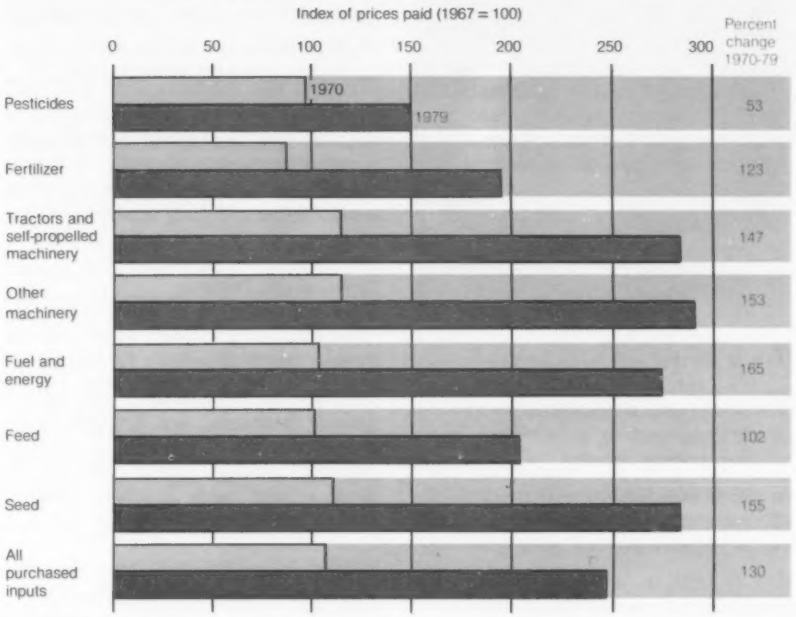
For example, in 1967, aldrin was so widely used to control corn rootworm that the compound's manufacturer was second in the industry in farm insecticide sales by quantity. But the Environmental Protection Agency suspended the use of aldrin in 1974, and the producer fell below tenth place by 1976.

Consequently, firms have to invest continuously in research and development to ensure that they'll be ready with replacements when leading products start losing their markets. These competitive pressures encourage new and better products as well as pricing restraint.

However, as Eichers points out, pesticides account for only a small share of total chemical sales of most manufacturers.

If climbing costs start squeezing profits or testing and registration requirements become too burdensome, some of the large chemical companies which provide most of the basic pesticides might convert to other products, he says. The result could be less competition and less incentive for manufacturers to meet farmers' needs at reasonable prices.

Pesticide Prices Climbing Slower Than Other Inputs



Inflation: Is There a Cure?

This is the first in a three-part series examining inflation and how it relates to the overall U.S. economy, to agriculture specifically, and to government decisions in coming months.

Is there a cure for inflation?

The answer is "yes"—if policymakers decide that the cure's side-effects won't be worse than the original illness, according to USDA economist Paul Prentice.

A "cure"—which might entail higher unemployment, even higher loan interest rates, and other reverberations throughout the U.S. economy—is for the Federal Reserve to stop creating additional money unless additional goods and services are produced to absorb it.

This would force Americans to make do with money already in circulation. Thus, if OPEC nations raise crude oil prices, taking more dollars from the U.S., Americans would simply have fewer dollars to spend on other goods. With less currency available, the demand for other goods and services would fall, putting downward pressure on prices.

"This wage-price spiral could be stopped if the money supply was not expanded."

The creation of excess money is, of course, only the tip of the inflation-problem iceberg. Beneath the surface lie tangles of complex cause-and-effect relationships and hard economic trade-offs.

Defining the Problem

Even the definition of inflation is commonly misunderstood when people discuss the problem.

"Inflation is defined as a rise in the general price level, and it represents an overall decline in the real purchasing power of money," says economist Lyle Schertz who, with Prentice, recently completed a study of inflation.

"This definition distinguishes overall inflation from an increase in the relative price of a particular commodity such as food," Prentice explains.

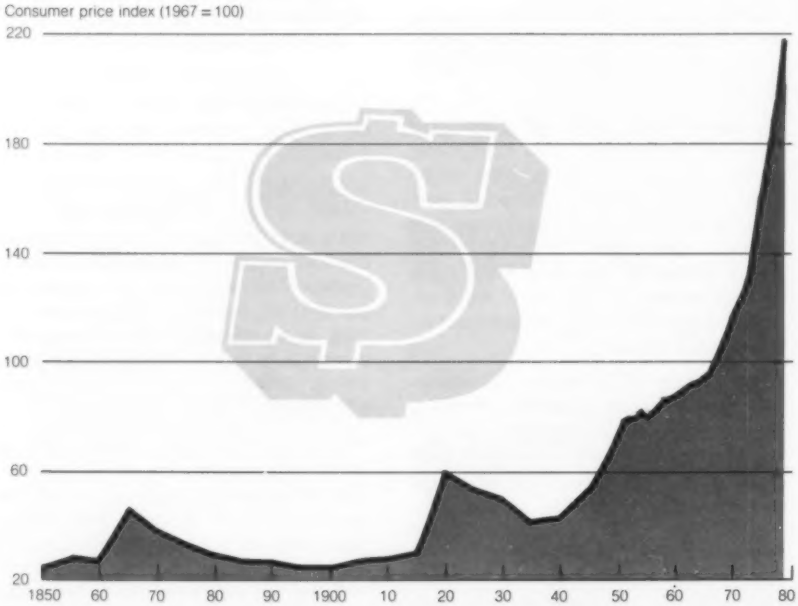
Another misconception is the notion that inflation has always been a major U.S. economic problem.

In U.S. history, inflation has been the exception rather than the rule, the economists note, adding that in the past there have been "relatively short periods of inflation followed by longer periods of deflation (falling price level)."

But, since 1965, inflation has accelerated, especially in the last decade. The Consumer Price Index (CPI) rose an average of 1.9 percent per year from 1950-64.

Since then, the U.S. general price level has increased in four successive "waves" of sharp inflation, reaching a 13-percent rate last year.

High U.S. Inflation Is Modern Problem



Gauging Inflation

Measurements of the magnitude of inflation vary. Importantly, the economic indicator most commonly used to measure inflation, the CPI, is not an accurate measure of changes in the cost of living.

Prentice emphasizes that it often overstates the changes in the cost of living because it assumes that consumers do not adjust their purchases in response to changing prices. During 1979, he says, the CPI overstated changes in the cost of living by about 27 percent—the amount consumers actually spent wasn't as high as the CPI rate of increase implied.

To illustrate, if beef prices jump dramatically relative to other prices this year, consumers will eat less beef, and therefore the cost of living would not increase as much as the CPI might project.

Actually, consumers might spend less on meat than if beef prices had remained the same—if poultry is cheap enough, and if Americans substitute enough poultry for beef.

Oil Prices and Inflation

What's behind the post-World War II spell of inflation that has become increasingly severe?

In looking for culprits in recent years, it's stylish to point to prices of particular products such as energy. But Schertz argues that other factors were also responsible for inflation.

"Admittedly, the prices of energy rose substantially during 1970-79. The price of crude oil, for example, increased more than 300 percent. However, it does not follow that this alone caused inflation."

OPEC oil prices aren't inflationary in themselves.

Energy costs account for only 4 percent of the total value added in national production. Thus, a 100-percent increase in energy prices would likely account for a small fraction of the present U.S. inflation.

Schertz says that these increases in OPEC oil prices aren't inflationary in themselves because they left less money in the U.S.

Thus, without other adjustments—such as creating more money to replace currency going to OPEC—the amount of money available to buy other goods and services would be less. In turn, prices of these items would decline and the general price level would remain essentially the same.

"However," he says, "the usual policy is to increase the amount of money in circulation in a way to accommodate the petroleum price increases without other prices decreasing. Obviously, monetary policy could be handled differently."

Other Inflation Factors

Rising energy prices were by no means the only factor in the inflationary pressures of the 1970's. In fact, Prentice says, labor cost increases played the greatest role.

Since labor compensation accounts for about two-thirds of U.S. national income, the 81-percent increase in labor costs during the decade added far greater inflationary pressure on the economy.

Another factor is deficit government spending financed through creating more money that wouldn't otherwise be in circulation. During the Vietnam era, for example, much of the U.S. military effort was financed by expanding the money supply. However, Prentice says, government spending financed by taxes—or deficit financing without monetary expansion—would not be inflationary.

It's hard to point an accusing finger at any one cause, the economists stress, because causes are often interrelated. Labor costs rise to catch up with prices, which may rise again to cover higher labor costs.

"This wage-price spiral could be stopped," Prentice says, "if the money supply was not expanded. High labor costs would then result in lower product prices and unemployment rather than inflation. This is the essence of the policy dilemma facing the monetary authorities."

Inflation Causes

Schertz and Prentice say economists offer these types of explanations besides monetary ones for how inflation occurs within the economy:

• "Demand-pull" inflationary pressures occur when total demand strains supply and production capacity in the economy.

Demand-pull inflation tends to feed upon itself. Consumers, for example, react to inflation with a "buy ahead" psychology. Current inflation creates fears of more inflation to come. The "buy now before prices go up" guides many decisions, even among farmers.

• "Cost-push" inflationary pressures happen when costs for production inputs rise faster than their contribution to output (productivity), forcing up per-unit costs. Energy, labor, and profits are often central in this type of explanation of inflation.

Labor costs receive a great deal of attention, the economists noted, in cost-push explanations because prices throughout

the economy are often adjusted on the basis of changes in cost of production. In turn, production is adjusted to maintain higher prices.

Some farm support price levels are pegged on production costs, so cost-push explanations relate to the farm sector.

Passing On Production Costs

In some industries, a few producers can largely control prices by adjusting production, Schertz explains. Thus, they can raise prices to pass on production cost increases such as energy or labor.

If these costs aren't passed on—if the producers absorb them through, say, lower profits—they don't add to overall inflation. But inflation does occur when wage increases exceed gains in productivity, when prices are marked up accordingly, production is adjusted to maintain the prices, and when more money is created to accommodate the price increases.

Pay Outstrips Productivity

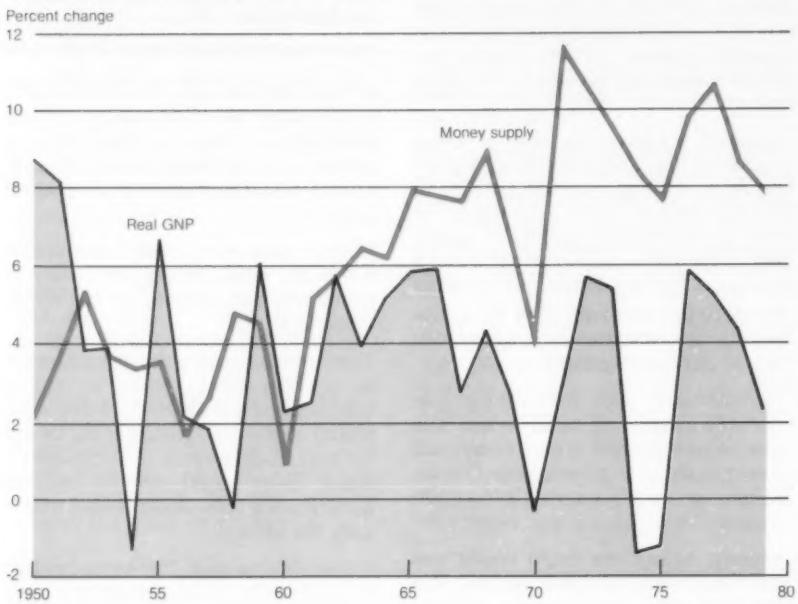
In recent years, statistics underscore the role of unit labor costs in pushing up prices. During the 1960's, compensation per workhour rose 60 percent, while productivity—output per workhour—increased 31 percent.

During the 1970's, compensation rose 106 percent while productivity increased only 14 percent. Unit labor costs in the 1970's jumped 81 percent.

Under the "monetary" explanation of inflation, government and financial institution policies increase the supply of money without a corresponding rise in the supply of goods.

An example would be to cut taxes and expand the money supply to finance a continuation of, say, government farm programs. The increased money held by farmers and others would be used to bid up product prices as well as prices for land and capital goods used in production.

Too Much Money Chasing Too Few Goods



Economists often argue that one or the other of these types of explanations account solely for inflation. However, each may play a role.

"These factors are interrelated to a degree that results in a continuously upward inflationary spiral," Prentice says. To further aggravate the problem, he adds, institutional and political policies tend to accept and absorb inflation, "often in an attempt to avoid short-run unemployment and to relieve pressure on industry to lower product prices."

If inflation in the general economy has dizzying complexities, its effect on U.S. agriculture has its own peculiar tangles—to be examined in the next issue of *FARMLINE*.

Inflation Scorecard

How did you fare in the race against inflation over the last 10 years?

To have the same buying power in 1980 as in 1970, your annual income had to rise 75 percent, says USDA economist Paul Prentice.

Average U.S. per capita income rose 141 percent from 1970 to 1980, but inflation shrank each dollar's purchasing power by 75 percent.

In the farm sector, those who owned farmland in 1970 usually came out ahead. The average value of U.S. farmland gained 245 percent.

Net farm income in 1970 was $14,151 and off-farm income was $17,397, giving farm families a total income of $31,548. Last year, net farm income was $23,100, up 63 percent from 1970. Data for 1980 off-farm income isn't yet available.

Reports in the News

To order the reports listed on this page, write to ESS Publications, Room 0054 South Building, USDA, Washington, D.C. 20250, or call (202) 447-7255. Publications available from other sources are indicated. Please ask for publications by title and report number (in parentheses). Single copies are free of charge, but supplies are limited.

Weighing in Catfish

Growers in the 10 major catfish farming states sold 43 million live weight pounds, valued at $34 million, in the first 7 months of 1980.

Foodsize catfish (¾-pound to less than 2 pounds live weight) comprised 93 percent of total sales weight and averaged 1.12 pounds per fish. Producers received an average of 71 cents per pound. The foodsize catfish inventory on August 1, 1980, was 64 million pounds.

Sales of fry and fingerlings (birth to ½-pound live weight) totaled 2.72 million pounds, 6 percent of total catfish sales, during the same 1980 period. Fry and fingerlings go mostly to producers who raise catfish to foodsize, to live haulers who make quick turnaround sales, and to fee and recreational facilities. The August inventory was nearly 12 million pounds.

Mississippi accounted for 69 percent of foodsize catfish sales weight and about 44 percent of fry and fingerling sales.

Growers were using 56,000 acres of water surface for catfish production and reported intentions to add 16,000 acres this year.

Trout growers in nine states sold around 28 million live weight pounds of trout, valued at nearly $25 million, between January and July 1980.

Foodsize trout comprised 99 percent of sales. Prices averaged 85 cents per pound. Inventory on August 1, 1980, was almost 19 million pounds.

Idaho was the largest producer of trout, selling 88 percent of foodsize pounds. Growers in surveyed states plan to expand their operations by about 7 percent this year.

Aquaculture: Catfish and Trout, Inventory and Sales, 1980 *(SB-644). Order from the Crop Reporting Board, Room 0005-South, USDA, Washington.*

Fertilizer Use May Set Record

U.S. fertilizer use is expected to reach a new record of about 24 million nutrient tons this year, up 4 percent from 1979/80. Use of the primary nutrients, nitrogen, phosphate, and potash, could increase 2 to 4 percent each.

Stronger crop prices and the likelihood of increased 1981 acreage will contribute to greater fertilizer use. Domestic production is holding at high levels.

Fertilizer prices are not expected to increase as much as 1979/80's 27 percent, but they may average 8 to 12 percent higher. This will likely be the result of strong demand and rising costs of production, transportation, and retailing.

Fertilizer prices might increase more than forecast if U.S. crop production is larger than expected, if unanticipated events restrict world supplies, or if additional fertilizer is exported.

1981 Fertilizer Situation *(FS-11), by Paul Andrilenas and Richard Rortvedt.*

Rural Areas Lose Fewer Jobs

Rural counties provided a more stable environment for U.S. manufacturing firms than did metropolitan counties between 1969 and 1975, a period of nationwide decline in manufacturing jobs.

Manufacturing employment in nonmetro areas declined less than 1 percent, compared with a sharp 12-percent drop in metro counties. Job losses were highest in the largest metro counties of the northeast and north central states.

The net effect of this pattern was to increase the share of total U.S. manufacturing employment that's concentrated in the south, west, and nonmetro areas. Twenty-five percent of all manufacturing jobs were located in nonmetro areas in 1975, up from 23 percent in 1969.

This shift in employment resulted from expansions of established nonmetro firms rather than relocations of metro firms to rural areas. While rural employment declined in labor-intensive, low-wage industries such as textiles, apparel, leather, lumber, and furniture, growth occurred in firms producing instruments, electrical machinery, and transportation equipment.

Manufacturing employment declined nationwide primarily because of the 1974-75 recession, foreign competition, and the shift to more capital-intensive production processes.

Nonmetro Job Growth and Locational Change in Manufacturing Firms *(RDRR-24), by James P. Miller.*

Disadvantages Afflict Rural Blacks

Nonmetro blacks are not as well educated as blacks living in cities or nonmetro whites. Their educational shortcomings include lower rates of graduation from high school and college, poorer reading and writing skills, and lower participation levels in preprimary, adult, and college education programs.

The evidence suggests that these educational deficiencies affect income and employment. One-fourth of rural blacks had incomes below the poverty level in a recent study, compared with less than one-tenth of metro blacks.

Less than 10 percent of nonmetro blacks held white collar jobs, compared with 23 percent of metro blacks. Unemployment was also much higher among nonmetro blacks.

Nonmetro blacks trailed their metro counterparts by $2,000 to $2,500 in annual income regardless of educational background.

The Education of Nonmetro Blacks *(RDRR-21), by Frank A. Fratoe.*

New Farm Price Estimates Pegged on Actual Sales

A difference of one cent in USDA estimates of average prices received and paid by farmers can mean millions of dollars in farm program benefits.

The raw price data collected by Crop Reporting Board enumerators are the basis for the series of average prices and the price indexes that play a key role in farm programs.

Commodity deficiency payments to growers are figured by calculating the difference between the target price set by USDA and the U.S. average price received by farmers for the first 5 months of the marketing year. Participating farmers are paid on a predetermined number of bushels, whether they are sold, fed, or stored.

Many farmers rely heavily on the deficiency payments program: Payments totaled over a billion dollars for 1978 crops. With stronger prices for 1979 crops, deficiency payments dropped to $80 million.

In the 1978/79 marketing year, for each cent the 5-month average price received fell below the target price, farmers received about $30 million for corn, $12 million for wheat, $5.5 million for grain sorghum, and $2.5 million for barley.

The importance of small differences in the average prices received by farmers is illustrated by the corn deficiency payments made on the 1978 crop.

Program officials, basing their analysis on forecast prices, first indicated that farmers who participated in the program would receive from 4 to 6 cents per bushel in deficiency payments.

When the actual figures came out, the payment was $88.3 million, or a rate of 3 cents a bushel—$30 million less than anticipated. The final figures were more accurate because USDA was using new price survey techniques which estimate prices on quantities actually sold.

Voluntary Reporters

For years, the reported U.S. average price was based on information gathered from about 4,500 voluntary price reporters—independent local buyers, cooperative marketing organizations, government marketing agencies, processors, country bankers and merchants, farmers, and ranchers.

Price information was obtained by mail questionnaires, sent out by each state office of the Crop Reporting Board, asking for prices at midmonth. The U.S. average price was figured by weighting the state figures according to each state's share of total U.S. sales—for crops the percentage of national sales for the last 3 years, and for livestock the latest marketing year.

According to USDA statistician Fred Thorp, several inherent weaknesses are apparent in this way of gathering price information:

- Reported prices may not represent actual transactions.
- No quantities are reported to weight prices by state according to actual sales volume.
- Prices reported by small and large firms have equal weight.

In 1977, USDA changed its sampling method and began collecting actual sales data, including both total dollars and quantity involved. "Our goal is to get prices based on actual transactions," explains Thorp.

At the same time, USDA switched to a probability sampling technique, where each buyer has a chance of being selected for an interview. This assures that all types of firms purchasing grains are sampled.

The new system began with prices received for crops because that price series was used to determine deficiency payments. Livestock price estimates are being switched to the new system this year.

Buyers Supply Data

In the new system, information comes mostly from buyers—grain elevators and mills for grain crops. About one out of every six grain elevators or mills in the U.S. are contacted around the 15th of each month to find out how much grain was purchased and the prices the farmers received for the previous month. Auctions, stockyards, packers, and dealers are sampled for data on purchases of livestock from farmers and ranchers.

The "bookkeeping lag"—the fact that data are not immediately available—makes it necessary to figure two series of prices received. A preliminary midmonth price is estimated for the current month. Since sales quantity information is not available, prices are weighted on historic sales information.

At the same time, the total quantity purchased and total dollars received by growers during the previous month are obtained and are used to revise the midmonth data of the previous month. The preliminary midmonth estimate for the current month and the previous month's revised figure are published on the last

1977-78 Deficiency Payments Resulted from Prices Falling Below Target[1]

[1]Prices are 5-month averages for crops of designated years.

working day of each month in the Crop Reporting Board's *Agricultural Prices* report.

Shifting Marketing Patterns
Differences between the midmonth and the final price series result from prices fluctuating during the month. Also, marketing patterns shift, so that actual quantities marketed by states may differ from the projected midmonth quantities. Since state prices vary considerably, such shifts affect the national prices.

In addition to providing a basis for determining deficiency payments, the estimates of prices received for various farm products are used to calculate an index of prices received by farmers, which provides a single indicator of the overall direction and pace of farm product prices.

The prices and indexes are used extensively for policy formulation, both inside and outside government. Economists use past price trends and movement along with supply and demand data for forecasting.

Pricing the "Market Basket"
Like the prices received series, the estimates of prices paid by farmers and ranchers permit analysts to develop an index to measure the change in production costs and family living expenses for farmers. To compute the index of prices paid by farmers, a "market basket" for farm input items is periodically priced. These items are broken down into five major groups: items used in family living, items used in farm production, farm mortgage interest, farm real estate taxes, and wages for hired farm labor.

One of the major legislative uses of the prices paid index is to compute parity prices. The changes in production expenses reflected in the index make it important in the adjustment of contracts, land rentals, marketing order administration, and establishment of grazing fees.

Key Yardsticks of Farm Prices and Costs

Rising crop or livestock prices are typically reported as good news for producers, but they're well aware that better prices for their products don't mean much if production input costs are rising even faster.

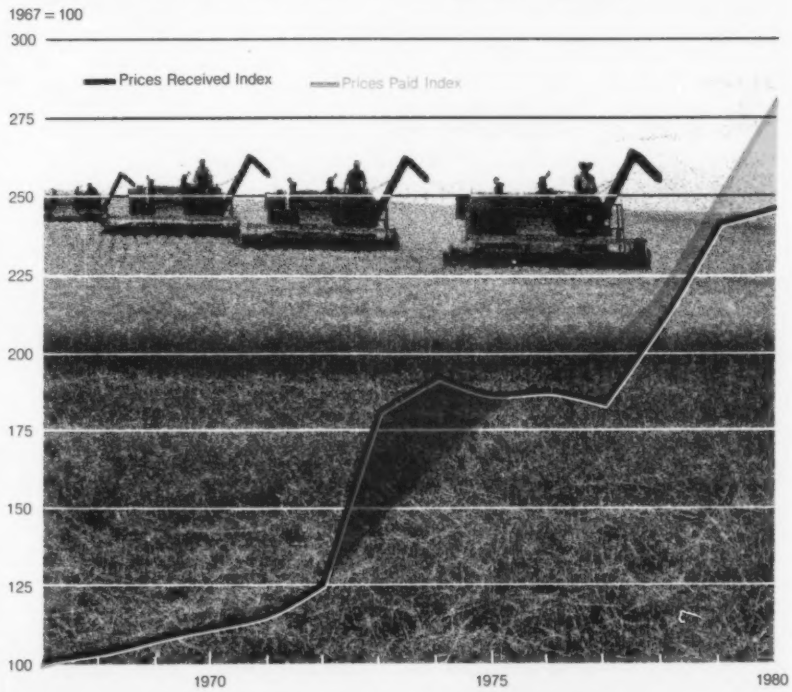
A pair of statistics published monthly by USDA gives a quick indication of how farmers are really doing by taking both factors into account.

The Index of Prices Received by Farmers shows in one figure how the series of prices farmers are getting for 44 products—accounting for about 90 percent of total U.S. cash receipts—have changed since an earlier base period (1967).

The Index of Prices Paid by Farmers is a composite of prices for production goods and services (about 180 items, plus an index for living expenses) that is also calculated from a 1967 base period. By figuring the ratio of prices received to prices paid, it is possible to see at a glance how the agriculture sector as a whole is doing.

For instance, in December 1980 the prices received index was 261—more than two and one half times the composite figure in 1967—but the prices paid index stood at 291, almost three times as high. That's a ratio of 90—indicating that the prices producers paid for farm input items outstripped prices they received for farm commodities.

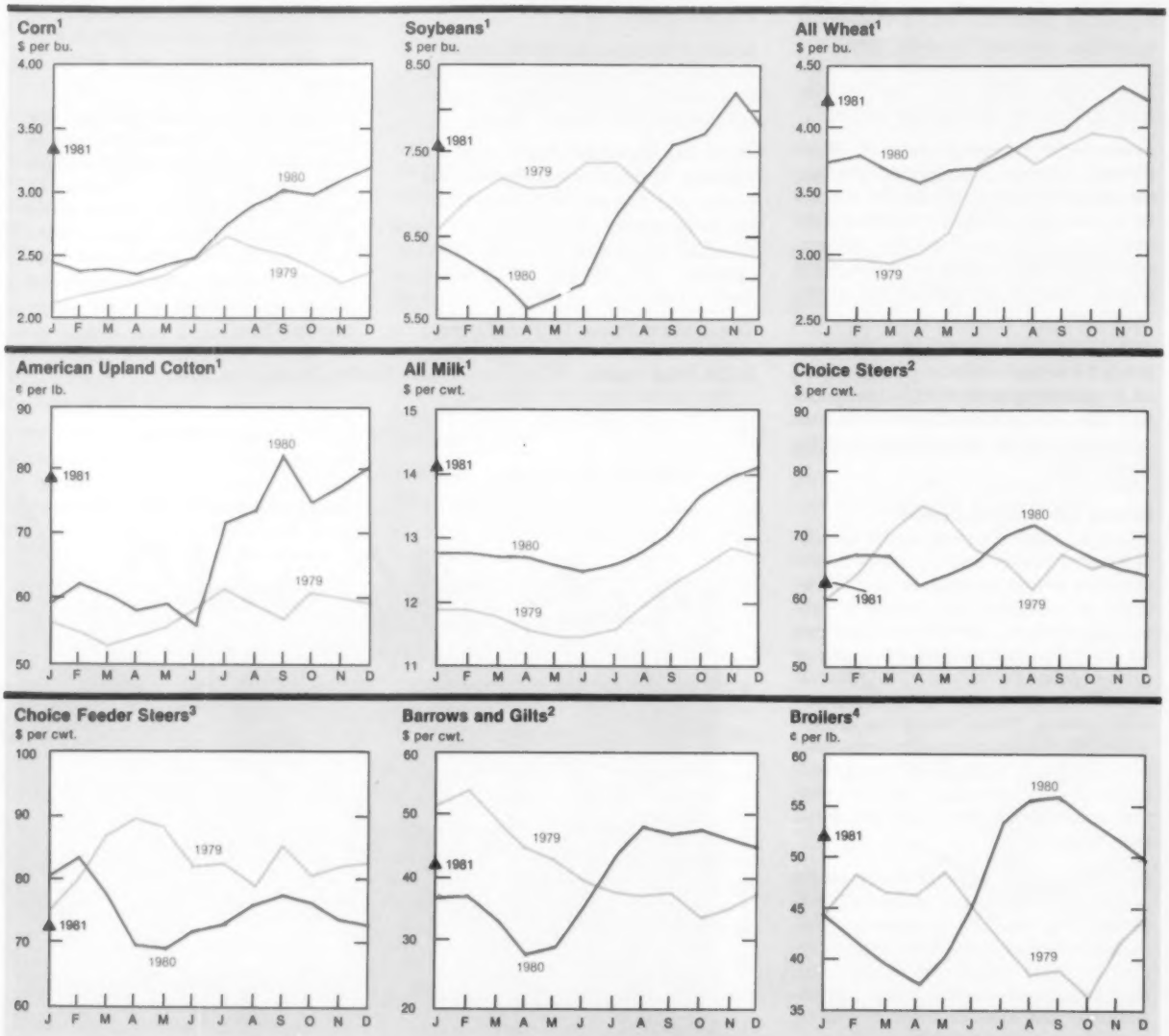
USDA Price Indexes Show Farm Prices Trailing Production Costs



Farmline Trends

Monthly Price Monitor

Mid-January farm prices (shown by the triangle) were mixed: Corn rose from December, reaching $3.32, the highest price since November 1974. Soybeans dropped to $7.54; wheat was steady at $4.22; cotton fell to 77.8¢; and milk remained at $14.10. All were well above year-ago levels. January prices for Omaha Choice steers ($63.11) and Kansas City Choice feeder steers ($72.71) were below a year ago. Kansas City barrows and gilts averaged $42.36, and New York broilers averaged 52¢ a pound—both above January 1980 prices.



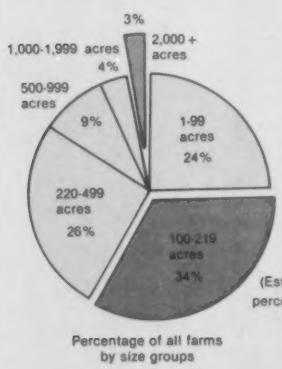
[1]U.S. average prices received by farmers. Prices for the latest month are mid-month averages. [2]Omaha. [3]600-700 lbs., Kansas City. [4]Wholesale, New York.

How Concentrated Is U.S. Farmland?

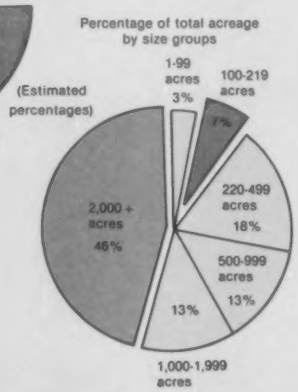
The corn belt states have the most farms of any region in the nation. The largest farms are in the Mountain states, which also contain almost a fourth of all U.S. farmland. In 1978, farms of between 100 and 219 acres accounted for a third of the 2.4 million U.S. farms, but made up only 7 percent of the acreage. Large farms of at least 2,000 acres accounted for only 3 percent of the farms but almost half of all acreage.

Region	Acreage (Thousands)	Farms[1]	Acres per farm
Pacific	68,100	153,000	445
Mountain	256,290	119,900	2,138
Northern Plains	182,700	218,500	836
Southern Plains	173,400	258,000	672
Lake States	60,000	263,000	228
Corn Belt	127,200	529,000	240
Delta States	41,200	151,000	273
Southeast	48,000	191,000	251
Appalachian	53,900	369,000	146
Northeast	27,965	170,760	164
Alaska & Hawaii	3,490	4,670	747
U.S. total	1,042,245	2,427,830	429

[1]A farm is defined as a place that sold $1,000 or more of agricultural products during the previous year.



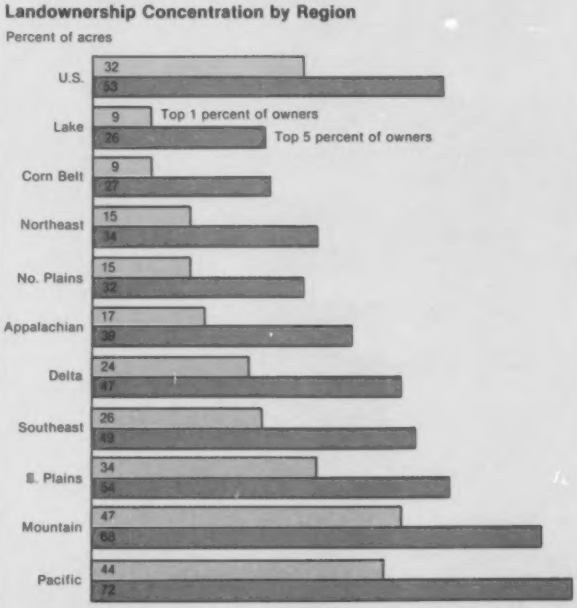
Percentage of all farms by size groups



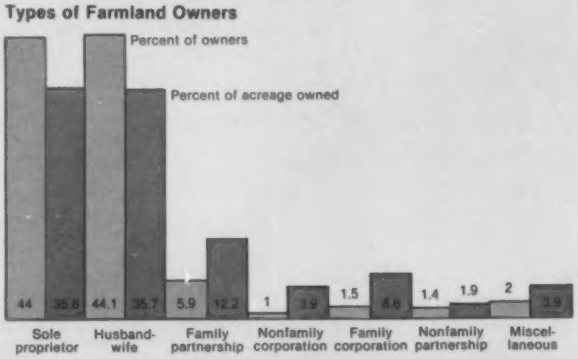
Percentage of total acreage by size groups

Ownership of farmland is another matter, because owners don't necessarily operate the farms. But ownership is also heavily concentrated among a few, especially in the Mountain and Pacific regions. Nationally, the top 1 percent own a third of all U.S. farmland, and the top 5 percent own more than half. The Lake states show the least concentration. Sole proprietors and husband-wife owners still hold more than two thirds of all acreage, with corporations owning only about 11 percent.

Landownership Concentration by Region



Types of Farmland Owners



U.S. DEPARTMENT OF AGRICULTURE
ECONOMICS AND STATISTICS
SERVICE

OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE $300

To stop mailing ☐ or to change your address ☐ send mailing label on this magazine and new address to ESS, Rm. 505 GHI, USDA, Washington, D.C. 20250

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101
BULK THIRD CLASS

U.S.MAIL

FRMLNSERIA300SJISSDUE01OR 1
SERIALS PROCESSING
UNIV MICROFILMS INTL
300 N ZEEB RD
ANN ARBOR MI 48106

Coming Up In Months Ahead:

- **Inflation and the Farmer**
- **Animal Byproducts: Nothing Goes to Waste**
- **New Measures of Farm Finances**
- **Peanut Shortage: Tough Nut To Crack**